

CORRECTED FISCAL NOTE

HB 1947 - SB 1919

May 10, 2001

SUMMARY OF BILL: Enacts the Tennessee Employer Privilege Tax Act which:

- Establishes a monthly tax on employers equal to 3% of compensation paid to employees. The maximum tax base per employer is \$350,000,000.
 - An employer paying under \$50,000 in total compensation in a single tax year would receive a full refund for their tax liability.
 - An employer paying over \$50,000 in total compensation in a single tax year would pay tax on the full amount of compensation without having a \$50,000 deduction.
- Repeals the professional privilege tax, effective June 2, 2001.
- Repeals the local option sales tax, effective October 1, 2001.
- Holds local governments harmless on the local option sales tax repeal.
- The Employer Privilege Tax would become effective on October 1, 2001.

ESTIMATED FISCAL IMPACT:

On April 9, 2001 we issued a fiscal note on this bill which indicated:

Increase State Revenues - Net Impact - \$47,200,000 FY01-02 (9 Months)
\$72,267,000 FY02-03 First Full Year

Increase State Expenditures - Exceeds \$3,000,000 Recurring
Exceeds \$2,000,000 One-Time

Based on additional information provided to us by the Department of Revenue, the estimated fiscal impact of this bill is:

Increase State Revenues - Net Impact \$682,651,704 FY 01-02 (9 Months)
\$1,044,832,385 FY 02-03 First Full Year

Increase State Expenditures - Exceeds \$5,000,000 Recurring
Exceeds \$3,000,000 One-Time

	<u>FY01-02 / 9 Mos.</u>	<u>FY02-03</u>
Increase State Revenues	\$1,879,451,704	\$2,631,232,385
Total Increased Revenues	<u>\$1,879,451,704</u>	<u>\$2,631,232,385</u>
<u>Decrease State Revenues</u>	<u>FY01-02 /9 Mos.</u>	<u>FY02-03</u>
Repeal:		
Professional Privilege Tax	\$28,000,000	\$28,000,000
Local Option Sales Tax	1,155,000,000	1,540,000,000
Replace Administrative Fee For Dept of Revenue on Local option sales tax	13,800,000	18,400,000
Total Decreased Revenues	<u>\$1,196,800,000</u>	<u>\$1,586,400,000</u>

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Estimate assumes the following:

- Approximately 50,000 businesses would be required to pay the tax but have a total compensation of less than \$50,000 and would receive a refund for the tax paid.
- Approximately 160,000 sole proprietorships would be required to pay the tax but have a total compensation of less than \$50,000 and would receive a refund for the tax paid.
- An increase in state expenditures that exceeds \$5,000,000 recurring and exceeds \$3,000,000 one-time resulting from personnel and operations costs associated with the administration of the provisions of the bill.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first name "James" being the most prominent.

James A. Davenport, Executive Director